

MAYOR & COUNCIL AGENDA COVER SHEET

MEETING DATE:

August 14, 2006

CALL TO PODIUM:**RESPONSIBLE STAFF:**

Assistant City Manager Fred Felton

Grants Administrator Mary Boyle

Director of Community Development
Louise Kauffmann

AGENDA ITEM:

(please check one)

| | |
|----------|------------------------------|
| | Presentation |
| | Proclamation/Certificate |
| | Appointment |
| | Public Hearing |
| | Historic District |
| | Consent Item |
| | Ordinance |
| | Resolution |
| | Policy Discussion |
| X | Work Session Discussion Item |
| | Other: |

PUBLIC HEARING HISTORY:

(Please complete this section if agenda item is a public hearing)

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|-------------------|--|
| Introduced | |
| Advertised | |
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| Hearing Date | |
| Record Held Open | |
| Policy Discussion | |

TITLE:

Overview of the Proposed Moderately Priced Dwelling Units (MPDU)/Work Force Housing Units (WFHU) Ordinance and the Proposed Accompanying Regulations

SUPPORTING BACKGROUND:

Since the May 8, 2006 Work Session, staff has held a series of meetings with representatives of Action in Montgomery (AIM) and other citizen groups to discuss our proposed MPDU/WFHU program. Additionally, we have had a number of discussions with Montgomery County officials concerning their program.

At this point, staff is recommending that the Mayor and City Council proceed with going to public hearing on an ordinance that would outline a developer's base requirements for affordable housing in new communities, redevelopments, and major renovations to existing multi-family housing. Once the ordinance is adopted, the Mayor and City Council would need to adopt a regulation pursuant to Section 2-6 of the City Code to implement any details of how the MPDU/WFHU program would be operated and administered.

The affordable housing advocates with whom we have met agree with staff that it is desirable to move forward with adoption of an ordinance outlining the base developer requirements while they continue to work with the City on issues such as control period, equity increase, eligibility requirements and selection process.

Proposed Ordinance

Staff is recommending that the ordinance contain the following provisions:

I. For sale residential developments with ten (10) or more units shall include an affordable housing component subject to the following requirements:

(a) 7.5 percent of the residential dwelling units shall be developed and sold as Moderately Priced Dwelling Units (MPDU) at a price affordable to households earning 70 percent of Area Median Income adjusted for household size.

See continuation page

DESIRED OUTCOME:

Hear Presentation and Provide Guidance to Staff

(b) 7.5 percent of the residential dwelling units shall be developed and sold as Work Force Housing Units (WFHU) at a price affordable to households earning 90 percent of Area Median Income adjusted for household size.

(c) Moderately Priced Dwelling Units and Work Force Housing Units shall be of the same general appearance, and use comparable exterior materials to the market rate units of the same unit type. Additionally, these units should be generally dispersed throughout the development.

(d) Upon a finding that MPDUs and WFHUs would not be affordable in a development due to high common ownership community fees, the Mayor and City Council may permit an applicant to contribute a fee to a City affordable housing fund rather than constructing the affordable units. This fee shall be calculated as the difference between the actual sales price and the actual cost of construction.

(e) The Mayor and City Council may waive the requirements of this section upon the finding that the affordable housing component would make a proposed development project financially infeasible overall.

II. Developments of rental apartments shall include an affordable housing component subject to the following requirements:

(a) 15 percent of the dwelling units shall be constructed and leased for a period of thirty (30) years as moderately priced dwelling units (MPDUs) affordable to households earning sixty (60) percent of area median income adjusted for household size.

(b) The Mayor and City Council may waive the requirements of this section upon the finding that the Affordable Housing component would make a proposed development project financially infeasible.

Proposed Regulations

Purchaser Eligibility and Selection:

- MPDU: households between 60 and 80 percent of AMI.
- WFHU: households between 80 and 120 percent of AMI.
- 25 percent of units available to City employees, public safety workers, or teachers working in Montgomery County.
- 75 percent of units available to people who have lived or worked in the City for at least one year.
- Must not have owned a home within five years.
- Units must be owner-occupied.

- Purchasers selected through a separate lottery for each development.
- City will maintain a waiting list of people interested in purchasing resale units.

Resale Requirements and Equity Return:

Alternative A:

- If unit owned for less than 10 years:
Price is sum of: acquisition price, aggregate change in Consumer Price Index (CPI) over period of ownership, and credit for documented capital improvements.
- If unit is owned more than 10 years:
Price is sum of: acquisition price, aggregate change in CPI over first 10 years of ownership, average market housing increase in Montgomery County, determined by Housing Price Index for entire period of ownership, but applied to the term subsequent to the first ten years of ownership, and credit for documented capital improvements.
- If re-sale price exceeds affordability for target group:
Maximum income limits may be adjusted to correspond to higher price.

Alternative B:

Re-Sale requirements regardless of period of ownership:

- Price is sum of: acquisition price, aggregate change in Consumer Price Index (CPI) over period of ownership, and credit for documented capital improvements.

Control Period:

Alternative A:

- Twenty years with full reset provision. Unit remains under program controls until the same household has owned the property for twenty consecutive years.

Alternative B:

- Twenty years with full reset provision until one household has owned the property for ten (10) consecutive years. Once a property has been owned for at least ten years by a single owner, control period expires twenty years from the date of the purchase by the household that has held it for at least ten years.

Sale Upon Expiration of Control Period:

- At termination of control period, unit to be sold at market rate.
- First sale after control period terminates requires profit sharing with City.

Profit Sharing Based on Length of Ownership:

- After first full year of ownership, seller earns 5 percent of excess profit for every year of ownership up to a 100 percent share for 20 years of ownership.
- Remaining percentage to be contributed to a fund created for affordable housing initiatives.